

Subpart B Proposed Regulation General OOC Comments

EP, DPP, DOCD

We do not understand why MMS chose to include the requirements for GOM OCS Region in a NTL rather than incorporating the requirements in the proposed regulation. NTL's are meant to clarify, describe or explain regulations. Subpart B should be written in a manner to include all the requirements for plans in the GOM OCS Region. We see no problem with the regulation including different requirements for the various OCS regions since this is done in the current and proposed regulation for the Alaska OCS Region. We believe that a properly written regulation should not need a companion NTL immediately issued to provide different requirements for the GOM OCS Region. However, if MMS wanted to take the approach of issuing a regulation and a companion NTL, the requirements for plans for the GOM OCS Region should have been incorporated in the regulation and a NTL issued for the Pacific, Alaska and Atlantic OCS Regions if the requirements differ from the GOM OCS Region since the vast majority of plans are submitted in the GOM OCS Region. As noted in MMS Offshore Stats for 2000, 424 Exploration Plans and 363 Development Plans were approved in the GOM OCS Region while 0 Exploration Plans and 0 Development Plans were approved in the Pacific, Alaska and Atlantic OCS Regions.

Our concern is that NTLs are guidelines only and can be withdrawn or modified by MMS at any time for any reason with no input from industry or the public. While we believe it is useful to put such information as suggested formats or examples in a NTL, the proposed NTL goes far beyond such information and essentially takes the place of the regulation. We request that MMS rewrite the proposed regulation to incorporate much of the proposed NTL. Please see the attached Examples for ways in which we believe this could be done.

We are concerned that the information requested for plans is very detailed and in many cases goes well beyond the level of detail the operator may know at the time the plan is submitted. It should also be noted that the activities proposed in the plan may be conducted over a number of years which makes it very difficult to provide very specific information. This could lead to the operator to not be in compliance with his approved plan. For example, under the EP, in Section 211(c) both the proposed regulation and the corresponding section in the NTL requests that tank capacities be provided. In many cases, the specific rig has not been contracted at the time the plan is submitted; therefore, this detailed information is not available. At best, the operator would know a range of capacities for the typical rigs that could be utilized to drill the proposed wells. Even if a specific rig has been contracted for the initial well, the remaining wells may be drilled by different rigs of which the operator has no knowledge.

We are also concerned that in several instances the proposed GOM NTL requires the submittal of information beyond that required by the regulation. For example, we can find no corresponding regulatory requirement for submittal of Oil Characteristics.

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Deepwater Operations Plan (DWOP)

Currently, the requirements for DWOPs are found in NTL 2000-N06. While the proposed regulation lists the same basic requirements for DWOPs as found in the NTL, the detailed information requirements contained in the NTL are not present in the rulemaking. Although not stated in the regulation or preamble, we assume that MMS intends to keep the current NTL in force and revise and update it as necessary. OOC requests the opportunity to cooperatively work with MMS on updating the NTL. We believe a cooperative effort will be beneficial for both industry and MMS.

As stated in the both the NTL and the proposed regulation, one of the purposes of the DWOP process is to allow the MMS to review and approved the proposed development plan prior to significant expenditures. While the DWOP process has worked well, it should be recognized that many of the subsea and floating systems and components are becoming much more standardized than they were when the DWOP process was initiated. This standardization in design allows much more compressed cycle times between concept selection and first production. In most cases, procurement and fabrication of major elements of the project may be initiated prior to final concept selection; much less the completion of the system design. For example, if subsea trees are being utilized, fabrication of the tree may begin prior to selecting the type of floating system they will be tied back to. Therefore, project development is not always following the project model initially utilized for the DWOP concept. It is unrealistic for MMS to expect an operator to delay engineering design or fabrication and procurement while gathering all of the information needed for the conceptual and preliminary DWOP.

Also, we question the need to follow the full DWOP process as designs become standardized or regulations are adopted to cover a development concept. For example, MMS has proposed changes to Subpart I to include floating production systems. When those regulations become final, why should an operator need to provide detailed information on the floating structure through the DWOP process if it meets the regulatory requirement?

While it may be reasonable to file a conceptual DWOP for floating and subsea projects, MMS should have the flexibility to eliminate the detailed information required for the preliminary part of the DWOP process where designs are similar to other approved projects, have become “standardized”, regulations have been adopted for a component or where minimum alternative compliance is requested. This could best be handled in the NTL which could be updated as frequently as needed to respond to changing designs. As noted earlier, OOC welcomes the opportunity to work with MMS on revising the DWOP NTL.

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Conservation Information Documents

Currently, the requirements for CIDs are found in NTL 2000-05. If the proposed regulation becomes final, does MMS intend to retain the current NTL or revise and update it? If so, OOC requests the opportunity to work with MMS on updating the NTL. In the NTL as well as the proposed regulation, CIDs are required for deepwater projects utilizing floating systems and subsea wells in any water depth. As stated in § 250.296(b) of the proposed regulation, MMS will use the information in the CID to ensure development of economically producible reservoirs according to sound conservation, engineering, and economic practices before you commit or expend substantial funds. We fail to understand why the type of structure or well causes MMS to verify the development of economically producible reserves differently than for fixed platforms. It should also be noted that in many cases, fabrication of a structure will commence as soon as a discovery has been made and a development concept selected. This may be long before the information for a CID is available to submit. To wait until the CID has been approved prior to proceeding with the project will lead to unreasonable cycle times and adversely effect project economics.

As stated in §250.298 of the proposed regulation, the CID should be a one time only submittal following the decision to develop the discovered reserves and prior to development drilling. It should be recognized that this is not the practice currently followed under NTL 2000-N05. Operators who file prior to development drilling must often update or revise their CID due to results from development drilling, which in essence makes the document an “evergreen” document. We believe that this process is overly burdensome on both MMS and operators and goes well beyond the proposed regulation. Even if the initial development drilling has been completed prior to the submission of the CID, MMS will often require the operator to commit to the drilling or completion of additional wells without the benefit of production which in many cases will indicate if additional wells are warranted.

We are also concerned about the level of review and effort MMS expends on the CID. It appears that MMS goes far beyond reviewing the information provided by the operator to determine if the develop plan is reasonable. Operators have spent many man hours developing their development plan. It is unrealistic to expect MMS to verify all elements of the plan in a condensed period. We believe MMS should focus their efforts on reservoirs that have been discovered but are not proposed for development.

We note that MMS did not proposed timeframes for the approval of the CID. We feel strongly that MMS must establish timeframes for the approval of the CID. Timeframes have been established for EPs, DPPs, DOCDs, and DWOPs; therefore, we believe this is an oversight of MMS. Currently, CIDs are approved in conjunction with DOCDs and in many cases; reviews of the other elements of the DOCD have been completed long before the CID review can be completed. Since the intent of the CID is to gain approval prior to capital investment decisions, it is imperative that approval be received in a timely fashion.